ORIGIN/ACTION AF-5

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OSD 1	USIA	NSA 1
		NSC 10

DEPARTMENT OF STATE

AIRGRAM

EXCISE Pet 6 Libya

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A-220 NO. | CONFIDENTIAL | 393 HANDLING INDICATOR

TO : Department of State

INFO : ALGIERS, BEIRUT, BENGHAZI, CAIRO, DHAHRAN, JIDDA, KUWAIT, LAGOS, LONDON, PARIS, ROME

LIMDIS

FROM : Amembassy TRIPOLI

DATE: November 25, 1970

SUBJECT: An Oil Executive's Formula for Survival in Libya

REF : [redacted]

RECEIVED DEPARTMENT OF STATE

DEPARTMENT OF STATE A/CDC/MR B4

REVIEWED BY _____ DATE 8/28/81

PORTIONS DENIED AS INDICATED

Enclosed with this airgram is a memorandum describing the views of an experienced oil company manager on the particular and general problems his company faces in Libya today. These views amount to a catalogue of the problems confronting the oil industry, a description of some of the socio/political obstacles to economic development - and, perhaps of greatest practical interest, the prescription he has devised by which his company can continue to operate at an acceptable level of efficiency and profit. This formula can be summarized as:

a) minimize points of friction and present the smallest possible target,

b) [redacted] B4

Enclosure: Memorandum re: [redacted] Views Position of His Company and that of Others in Libya B4

Group 4
Downgraded at three-year intervals.
Declassified 12 years after date of origin

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FORM DS-323 4-62

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Drafted by: ECON:WAPlacke:vfh

Contents and Classification Approved by: ECON:LWalker

Clearances:

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c) [redacted] B1

d) maintain economic viability by committing a share of future revenue to satisfy current demands,

e) [redacted] B1

f) reduce internal costs to the minimum to maximize short-run profit - for who knows what tomorrow will bring.

[redacted] B4

[redacted] B4

PALMER

Enclosure
Tripoli A- 220

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MEMORANDUM

November 18, 1970

TO : Files

FROM : J. A. Blacke - Petroleum Officer

SUBJECT: [redacted] Views Position of His Company and that of Others in Libya B4

[redacted] made the following noteworthy comments during my call on him today: B4

LARG-COMPANY RELATIONS:

[redacted] B4

The industry and the LARG will remain at logger heads because the LARG will continue to press for greater revenue and greater control. [redacted] Mahmud Maghrabi still is toying with demanding a transportation premium to be added to the present posted price. (This also is Esso's understanding). However, he has tentatively decided to postpone this demand until next summer, by which time a new tax-price structure for other OPEC members will have evolved and Libya's demand can be geared to the relative strength of its market position. B4

[redacted] he "had heard" that the LARG is beginning to suggest participation in existing concessions as a solution to the industry's problems, but that no concrete demand had

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been made yet. (This parallels a similar report received earlier this week from [redacted]

Pressure for exploration activity recently has slackened. [redacted] this is because there is a debate within the LARG over the desirability of forcing the companies to locate new reserves because the companies then would resist more vigorously a future LARG take-over. [redacted] those within the LARG who believe that this risk is worth running to identify new reserves will prevail, and that strong pressure for more exploration/investment, ala Algeria, will be exerted shortly.

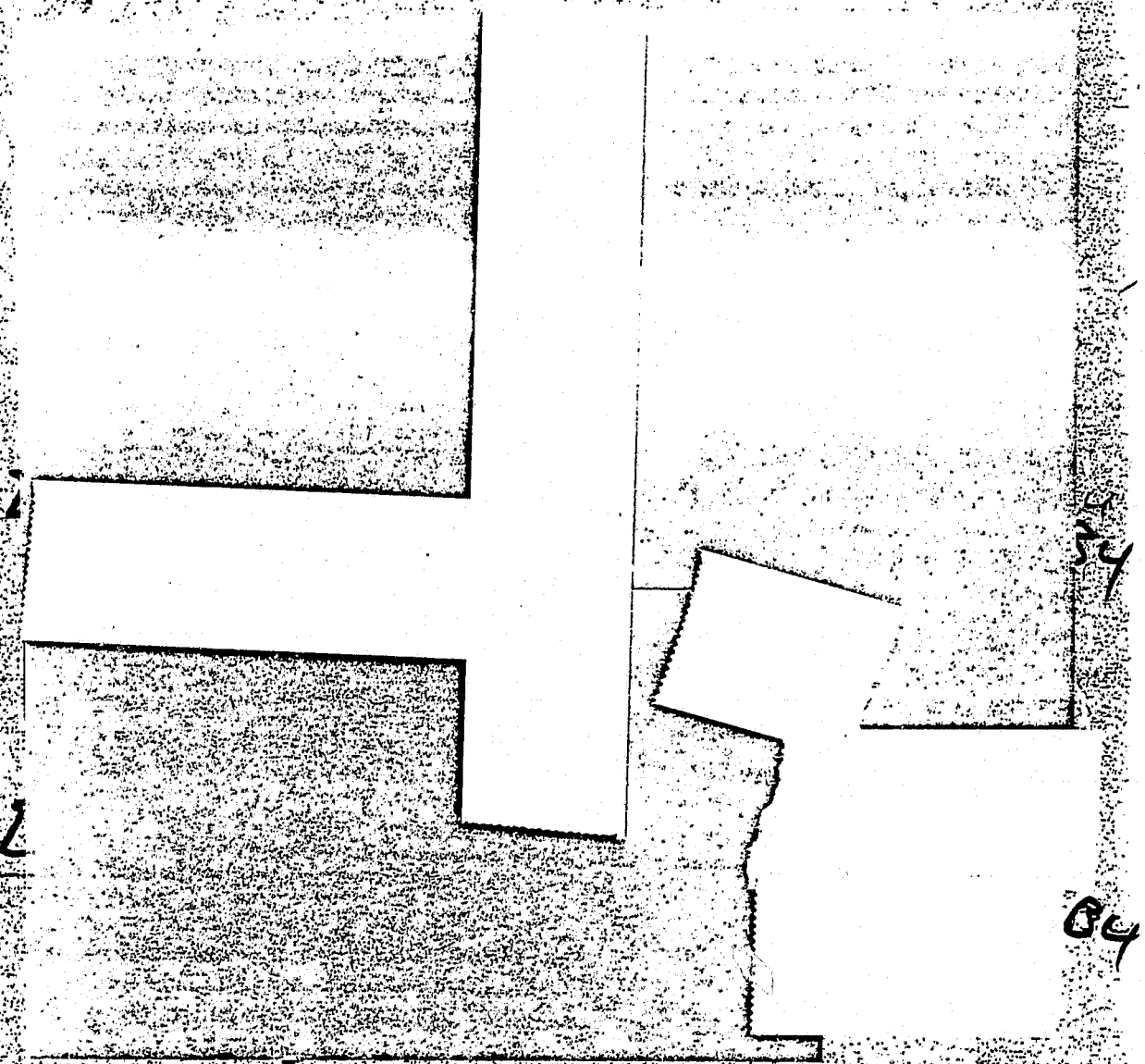
[redacted] Deputy Prime Minister Jallud is trying to revive the economy [redacted]

[redacted]

PROJECTS AND PROGRAMS:

[redacted]

Enclosure
Tripoli A- 220



PROBLEMS WITHIN LNOC:

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ECON:JAPlacke:vth

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